

Message Text

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TO AMEMBASSY ANKARA IMMEDIATE
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USMISSION USUN NEW YORK
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY PARIS
AMEMBASSY BONN
AMEMBASSY DUBLIN
AMEMBASSY ROME
AMEMBASSY LUXEMBOURG
AMEMBASSY LONDON
USMISSION USNATO
AMCONSUL IZMIR
AMEMBASSY THE HAGUE
USDOCOSOUTH NAPLES
USNMR SHAPE
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SUBJECT:US PRESS COVERAGE ON TURKEY: NATO AND DEBT RE-SCHEDULING

1. FOLLOWING IS THE WASHINGTON POST ARTICLE OF MAY 17 BY DUSKO DODER AND JOHN M. GOSKO ENTITLED TURKEY HEDGES ON NATO ROLE.

PRIME MINISTER BULENT ECEVIT HAS TOLD PRESIDENT CARTER THAT TURKEY WILL NOT MAKE ANY COMMITMENTS ABOUT THE SIZE OF ITS FUTURE MILITARY ROLE IN NATO AS LONG AS THE UNITED STATES MAINTAINS ITS ARMS EMBARGO AGAINST HIS COUNTRY.

IN A LETTER TO CARTER, ECEVIT SAID TURKEY CANNOT AGREE TO A PROPOSED JOINT DECLARATION THAT THE UNITED STATES HOPES TO HAVE APPROVED AT THE SUMMIT MEETING OF NATO HEADS OF GOVERNMENT TO BE HELD IN WASHINGTON MAY 30 AND 31.

THE PROPOSED DECLARATION WOULD BE A STATEMENT OF SPECIFIC NATO GOALS IN THE YEARS AHEAD.

CARTER ADMINISTRATION OFFICIALS REFUSED TO COMMENT ON THE CONTENTS OF ECEVIT'S LETTER. HOWEVER, RELIABLE SOURCES SAID IT DID NOT CONTAIN ANY THREATS OF A TURKISH WITHDRAWAL FROM NATO.

BUT, THE SOURCES ADDED, IT DID CONTAIN A CLEAR IMPLICATION
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THAT TURKEY WOULD SUBSTANTIALLY REDUCE ITS NATO DEFENSE ROLE IF THE EMBARGO IS NOT LIFTED. THE SOURCES SAID HE TOLD CARTER THAT, IN THE ABSENCE OF CLEAR-CUT GUARANTEES ABOUT FUTURE U.S. MILITARY ASSISTANCE, TURKEY CANNOT AFFORD TO MAKE ANY COMMITMENTS THAT MIGHT BE REGARDED AS PROVOCATIVE BY ITS NEIGHBOR, THE SOVIET UNION.

ECEVIT'S WARNING CAME AGAINST A BACKGROUND OF INCREASING EXPECTATION THAT CONGRESS WILL NOT RESPOND FAVORABLY TO CARTER'S APPEAL FOR AN END TO THE EMBARGO, WHICH WAS IMPOSED IN 1975 AFTER TURKEY'S INVASION OF CYPRUS. TURKISH FORCES CONTINUE TO OCCUPY ABOUT 35 TO 40 PERCENT OF THAT ISLAND COUNTRY, WHICH HAS AN 80-PERCENT GREEK POPULATION.

EFFORTS TO REPEAL THE EMBARGO HAVE BEEN RESISTED FIERCELY BY THE GREEK-AMERICAN COMMUNITY AND ITS SUPPORTERS IN CONGRESS. LAST WEEK, THE SENATE FOREIGN RELATIONS COMMITTEE REJECTED THE REQUEST FOR REPEAL, AND CONGRESSIONAL LEADERS ARE PESSIMISTIC ABOUT THE CHANCES OF REVERSING THE COMMITTEE'S ACTION.

BUT, WHILE THE EMBARGO HAS ERODED U.S.-TURKISH RELATIONS

AND CAUSED CONCERN WITHIN NATO ABOUT AN UNRAVELING OF ALLIANCE DEFENSES ON NATO'S SOUTHERN FLANK, U.S. OFFICIALS ARE STILL HOPEFUL THAT TURKEY CAN BE KEPT IN NATO.

THESE SOURCES SAID WASHINGTON AND ANKARA ARE ENGAGED IN ACTIVE DISCUSSIONS ABOUT A RESCHEDULING OF PAYMENTS ON THE MORE THAN DOLS 1.6 BILLION IN LOANS AND CREDITS THAT TURKEY OWES THE UNITED STATES.

AT THE SAME TIME, THE SOURCES ADDED, THE FINANCIALLY HARD-PRESSED TURKISH GOVERNMENT IS NEGOTIATING WITH MAJOR U.S. BANKS IN AN EFFORT TO RESCHEDULE COMMERCIAL DEBTS OF ALMOST DOLS 1.5 BILLION.

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UNDER PRESENT ARRANGEMENTS, TURKEY IS SUPPOSED TO PAY DEBT SERVICE OF DOLS 124 MILLION TO THE U.S. GOVERNMENT THIS YEAR AND DOLS 194 MILLION NEXT YEAR. ITS PROBLEM WITH THE PRIVATE U.S. BANKS IS EVEN MORE PRESSING, SINCE MORE THAN TWO-THIRDS OF THE AMOUNT OWED THEM IS DUE IN LESS THAN A YEAR.

ACCORDING TO THE SOURCES, THE TURKS WANT TO RESCHEDULE THEIR DEBTS TO THE U.S. GOVERNMENT OVER A SEVEN-YEAR PERIOD, INCLUDING A THREE-YEAR "GRACE PERIOD" THAT WOULD FREE THEM FROM PAYMENTS ON REDUCING THE PRINCIPAL.

THE SOURCES SAID THE CARTER ADMINISTRATION HAS INFORMED KEY COMMITTEES OF THE HOUSE AND SENATE OF ITS INTENTION TO HELP TURKEY RESCHEDULE ITS DEBTS. HOWEVER, THE SOURCES ADDED, WASHINGTON IS THINKING OF A SHORTER TERM THAN SEVEN YEARS AND HAS SUGGESTED A "GRACE PERIOD" OF 18 MONTHS.

HOWEVER, ANY MOVE TO AID TURKEY FINANCIALLY COULD ENCOUNTER THE SAME RESISTANCE IN CONGRESS THAT PROMPTED THE ARMS EMBARGO. SUPPORTERS OF THE EMBARGO HAVE ARGUED THAT TURKEY'S FINANCIAL DIFFICULTIES ARE DUE, IN LARGE PART, TO ITS OCCUPATION OF CYPRUS AND COULD BE ALLEVIATED BY A WITHDRAWAL OF TURKISH FORCES FROM THE ISLAND.

SINCE ITS IMPOSITION, THE EMBARGO HAS BEEN MODIFIED TO ALLOW TURKISH ARMS PURCHASES OF UP TO DOLS 175 MILLION A YEAR. IN ITS MILITARY ASSISTANCE REQUESTS FOR THE 1979 FISCAL YEAR, THE ADMINISTRATION IS SEEKING APPROVAL TO GIVE TURKEY DOLS 175 MILLION IN ARMS CREDITS AND DOLS 50 MILLION IN BALANCE-OF-PAYMENTS SUPPORT. VANCE

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